

CERTIFIED MAIL

05 OCT 1983

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under section 501(c)(5) of the Internal Revenue Code.

The information submitted discloses that you were incorporated under the non-profit laws of the State of [REDACTED].

The purposes for which the corporation is organized are the development, registration, and promotion of the [REDACTED] breed of cattle in the United States of America.

The activities of your organization have consisted of processing registration certificates, the maintenance of a breed registry and a sale of [REDACTED] breed animals sponsored by the association.

The Income Tax Regulations, section 1.501(c)(5), describe organizations contemplated by section 501(c)(5) of the Code as those organizations which have no net earnings inuring to the benefit of any member and have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products and the development of a higher degree of efficiency in their respective occupations.

Agricultural and horticultural organizations are exempt as organizations described in section 501(c)(5) if no part of their net earnings inures to the benefit of any member and if their objectives are the betterment of the conditions of members, the improvement of the grade of their products and the development of higher efficiency. Agricultural organizations are those connected with raising livestock, forestry and raising of crops, the cultivation of useful or ornamental plants and similar pursuits.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Date	9/26/83	9/27/83	9/30/83	10-3-83	10/3/83		

Revenue Ruling 60-105, 1966-1 C.B. 145 denied exemption to an organization whose principal activity was marketing livestock for its members. The organization was formed to carry out a livestock improvement program and to sponsor and promote the sales of livestock for its members.

Revenue Ruling 74-195, 1974-1 C.B. 135 denied exemption to an organization formed to manage, graze, and sell its members cattle because the organization was providing a direct business service to its members.

As in the above revenue ruling, the sale of members' products with the return to them of the sale proceeds, less entry fee and [redacted] percent sales expense, is neither an object nor an activity within the ambit of the cited sections of the Code and regulations. You are providing a direct business service to your members. Through the effort of your organization the members are reaping economic benefit. You are acting as a sales agent for your members. Therefore, the organization does not meet the requirements of Section 1.501(c)(5) of the Regulations and is not exempt under Section 501(c)(5) of the Code. Accordingly, you are required to file Federal Income Tax Returns on Form 1120.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 852, Exempt Organization Appeal Procedures for Adverse Determinations, which explains your rights and procedures.